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NEWS RELEASE

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CALIFORNIA POWER EXCHANGE IN VIOLATION OF COMMISSION ORDER; FERC ORDERS IMMEDIATE COMPLIANCE

The California Power Exchange (PX) is in violation of the Federal Energy Regulatory Commission's December 15, 2000 order regarding wholesale electric rates in California, the Commission said today. The Commission ordered the PX to immediately implement the December 15 order and recalculate market prices for all energy provided in certain markets since January 1, 2001.

Today's action does not signal further federal intervention but simply seeks to enforce the Commission's earlier order. Compliance with the December order will ensure that sellers into markets run by the PX who bid in excess of \$150/megawatt hour (MWh) only receive their actual bids, rather than the highest bid price. This will save stressed California utilities and burdened California ratepayers millions of dollars by not having the price for all sales through the PX set at the highest bid.

Chairman Curt L. Hébert said: "California officials certainly understand the gravity of the current situation and, working with the affected market participants, are working around the clock to craft a legislative solution to the current electricity crisis. At this critical juncture, the most important thing the Commission can do is to avoid upsetting this ongoing process. In the meantime, the Commission can act to ensure compliance with the various remedial measures adopted by the Commission in its December 15 order. Today's order saves California consumers millions of dollars and, in the process, sends a signal that the Commission has no tolerance for acts of noncompliance—whether committed by the California PX or by other California market participants."

The Commission's December 15 order identified serious flaws in the California energy market and had directed a series of immediate steps to remedy that state's continuing energy crisis. A key element designed to bring stability and more reasonable prices to the California market was the Commission's modification of the PX's single price auction.

The Commission set a \$150/MWh breakpoint—bids above \$150/MWh could not set the market clearing price paid to all bidders. As of January 1, 2001, the PX—the scheduling coordinator for the state's three large investor-owned utilities as well as other market participants—had been ordered to implement a \$150/MWh breakpoint. Prior to the Commission's order, the PX spot market—day-ahead and day-of energy markets—operated a single price auction. In other words, regardless of actual bids, all sellers received the highest price bid needed to clear the market.

The Commission rejected the PX's alternatives to the Commission's directive and gave the PX 30 days to file a compliance report reflecting the recalculated bills.